

**CITY OF CHULA VISTA
MINUTES
HOUSING ADVISORY COMMISSION
SPECIAL MEETING**

Wednesday, July 24, 2013
4:00 P.M.

CITY HALL CONFERENCE ROOM C101
276 FOURTH AVENUE

CALL TO ORDER/ROLL CALL – 4:06 P.M.

PRESENT: Marshall "Dawes" Hamilt, Mark Minas, Sergio Quero, Lillian Uy

ABSENT: Mauricio Torre (excused)

STAFF: Stacey Kurz, Senior Project Coordinator
Jose Dorado, Project Coordinator

1. APPROVAL OF MINUTES

❖ 4/8/13 - *Member Uy motioned to approve the minutes from the meeting of 4/8/13. Member Quero second the motion and all members agreed 4-0-0.*

2. ELECTION OF NEW CHAIR AND VICE CHAIR FOR FISCAL YEAR 2013/2014

Member Quero motioned to elect Member Uy as Chair for the fiscal year. Member Minas second the motion and all members agreed 3-0-1 with Uy abstaining. Member Minas motioned to elect Member Quero as Vice Chair for the fiscal year. Member Uy second the motion and all members agreed 3-0-1 with Member Quero abstaining.

3. FOR-SALE HOUSING POLICY

Staff Dorado provided a summary of the staff report, Exhibit 1 and presentation, Exhibit 2.

Member Quero inquired if HOA and Mello Roos were factored into housing expenses. Staff Dorado replied that is something being added and looked at more closely in the future when determining the affordable housing price since those costs can equate to several hundred dollars a month. Staff Kurz added that is also a potential negotiating point for future inclusionary housing developments.

Member Minas asked for clarification on the income qualification process for the existing residents at Mar Brisa and Sedona and Staff Kurz clarified that the existing residents would not be required to income qualify or meet ratios, that was done at initial qualification and they would only be reviewed for eligibility of the second modification if they were in good standing for 12 months. She further clarified that anyone that is not in good standing now would be eligible for the same modification after 12 months of good standing.

Chair Uy motioned to recommend that City Council approve the updates to Council Policy 453-02. Vice Chair Quero second the motion and the motion carried 4-0-0.

4. STAFF REPORTS

Project Updates:

❖ Lofts on Landis – Staff Kurz indicated that the project was approved by Planning Commission at the end of June and now the developer is waiting to find out if they will receive their tax credits. They will find out in late September and would have to pull building permits by late March if they receive them. Chair Uy asked what would happen if they are not awarded and staff Kurz replied that the developer had indicated they would wait until a year from now to apply again.

Housing Advisory Commission
Minutes
Page 2 of 2

- ❖ Congregational Towers – Construction has begun on the rehabilitation project and will be continuing over the next year. The rehabilitation is presenting challenges in construction staging issues within the urban core along Third Avenue, but the City is working with the construction company and residents/businesses surrounding the project.

5. MEMBER'S COMMENTS

None.

6. ORAL COMMUNICATIONS

None.

- 7. ADJOURNMENT** – HAC Meeting was adjourned at 5:15 p.m. when Vice Chair Quero motioned to adjourn with a second from Chair Uy, to the next regular meeting of October 23, 2013.

Recorder, Stacey Kurz

Exhibit 1 – For-Sale Housing Policy Update Staff Report
Exhibit 2 – For-Sale Housing Policy Update Presentation

The City of Chula Vista Development Services Housing Division
A REPORT TO THE
HOUSING ADVISORY COMMISSION

Item No. 2

Staff: Jose Dorado, Project Coordinator
Development Services Department, Housing Division

DATE: July 24, 2013

SUBJECT: **Council Policy 453-02** - RECOMMENDATION OF APPROVAL TO THE CITY OF CHULA VISTA CITY COUNCIL AN UPDATE TO COUNCIL POLICY 453-02 RELATED TO THE DEVELOPMENT OF AFFORDABLE FOR-SALE HOUSING FOR LOW AND MODERATE INCOME BUYERS

I. RECOMMENDATION

That the Housing Advisory Commission recommend **APPROVAL** to the City of Chula Vista City Council an update to the City of Chula Vista's Affordable For-Sale Housing Policy 453-02 that was originally adopted on December 9, 2003 and last updated September 13, 2005.

II. BACKGROUND

The Affordable For-Sale Housing City Council Policy 453-02 (the "Policy") was adopted in 2003 to provide procedures and guidelines for Developers proposing to construct affordable for-sale housing opportunities within the City. The policy outlines mechanisms to ensure affordability of the sales price, sharing of sale proceeds to continue to promote affordable homeownership programs, loan qualification, and selection of qualified buyers. To date, 32 units within Sedona at Rolling Hills Ranch and 67 units at Mar Brisa at San Miguel Ranch have been developed utilizing this Policy.

Since the last amendment to the Policy in 2005, there have been drastic changes in the housing market, including a steep decline in U.S. home values and underwriting changes in the lending industry. In addition, with the elimination of State Redevelopment and the associated governing laws, some of the restrictions in the original Policy are no longer necessary or consistent with industry standards. Given the changes, revisions to the Policy are needed to ensure its continuing effectiveness for existing and future first time homeowners.

Staff is proposing revisions that will allow greater flexibility to those beneficiaries of the City's For-Sale Housing Program and to encourage long term homeownership. Such revisions include restructuring of the equity share between the City and homeowner, a reduction in the length of term of the Silent Second loan, underwriting criteria and procedures for a short sales and cases of hardship. In addition, clean up revisions are proposed to provide flexibility which include the applicability of the policy to moderate for-sale products and elimination of examples and language that may change over time and become obsolete. The proposed revisions are consistent with mortgage industry standards and are in line with program policies, at the federal and state level, that

have been adopted for those experiencing a hardship and facing foreclosure, such as Keep Your Home California and the Home Affordable Refinance Program (HARP).

Recommended Substantive Revisions to the Policy

Loan Term and Equity Share

The Policy requires the repayment of the Silent Second loan principal upon sale, transfer, refinance, rental or change of title on the property. Staff proposes reducing the shared equity term from the current Policy of 45 years, required under previous State Redevelopment law, to 15 years to coincide with more typical homeownership trends and the City's First Time Homebuyer Program. Proposed Table 1 of the Council Policy is revised to reflect equity share percentages between the City and the Homeowner based on the revised maximum length of the time (15 years) the Homeowner has occupied the property. Should a homeowner sell within one year, the City retains 100% of the equity in the property, minus the homeowner's expenses. The City's share of equity declines each year until year 15.

Underwriting Criteria

Staff has proposed updates to underwriting criteria to be consistent with the City's First Time Homebuyer Program and current industry underwriting standards to ensure qualified applicants are being selected for the program that will be able to sustain homeownership. Language is included to limit the use of funds gifted to the buyer.

Short Sale and Hardship

At the time of the adoption and the subsequent amendment to the Policy, home prices reached unprecedented double digit increases and the Policy did not reflect any potential decline in market conditions. With the significant downturn in the housing market in recent years, where home mortgages are significantly higher than market value, many homeowners are choosing to short sell or allow the property to enter into a default status. Given the existing policy term of 45 years and upside down mortgages, homeowners are provided with little incentive to maintain homeownership at the existing terms or to refinance.

Staff has proposed new language to recognize short sales and financial hardships. Prior to a short sale, homeowners will be required to seek homeownership counseling. Additionally, the Development Services Director will have the ability to review existing loan documents and approve loan principal reductions in a downturned economy for homeowners in good standing and seeking refinancing to more favorable terms. The proposed language will allow for coordination with Federal, and State foreclosure prevention programs, as previously mentioned.

Applicability to Existing Balanced Communities ("Inclusionary Housing") Projects

Since 2003, two developments have utilized the Policy, Sedona in Rolling Hills Ranch and Mar Brisa in San Miguel Ranch. Both projects provided affordable units through the City's Balanced Communities Policy. The City is currently working with Fannie Mae, Wells Fargo, and other parties involved in the first mortgages of these properties to address concerns regarding loan modifications and refinances. The update of the Policy will provide the Development Services Director the ability

to review the City's Silent Second loan documents and appropriately apply the Policy as necessary to allow these homeowners an opportunity to seek more favorable financing terms and maintain homeownership.

Moderate Income Buyers

The original Policy did not have provisions for moderate-income buyers. The proposed Policy would apply the underwriting criteria and terms as low-income buyers and coincide with the approved pricing guidelines as set forth in the City's Balanced Communities Policy Guidelines.

Recommended Clean Up Revisions to the Policy

Purpose

The Housing Element of the General Plan is updated every seven years. Therefore, goals and policies of the Housing Element are subject to change as housing needs may change over time. The revisions include the strikeout of the specific goals of the 1999-2020 Housing Element and replacement with language that states a general goal of providing for varied housing opportunities for the diverse needs of the community.

Examples

The existing Policy provides specific examples (reference struck out Tables 1-3 in Attachment 1) for loan assumptions, calculation of sales prices, and the Silent Second loan calculation. Additionally, County of San Diego Income Limits for 2005 and Housing Pricing based on these income limits serve as Attachments to the Policy. The examples and the Attachments are based on point in time information and subject to change over time and based on market conditions. Therefore, the examples and Attachments to the Policy are being deleted.

CONCLUSION

The Policy revisions promote long term affordability and encourage Chula Vista's working families to take advantage of opportunities for quality housing consistent with City housing goals. Without such changes, staff anticipates it will be difficult to find future buyers of for-sale products under this Policy due to excessive restrictions of the current language and additional defaults may occur with the existing complexes implemented under the Policy.

III. Attachment

1. Updated Council Policy 453-02

ATTACHMENT 1 – Updated Council Policy 453-02

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE- INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	1 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. 2005-314, 9-13-05 and 2013-154, 08/06/2013, 7-16-13			

PURPOSE

The Housing Element of the City's General Plan (1999-2004~~2013-2020~~) establishes goals and policies for the City to address a number of important housing related issues. The One of the focus areas primary goal is to ensure the city supports varied housing opportunities that decent, safe housing is available at an affordable cost. Objective 3 is to broaden the available housing types and increase home ownership opportunities for low and moderate income households. Goal 3 is to "ensure that an adequate and diverse housing supply is available to meet the city's existing and future needs". In addition Goal 4 is to "increase home ownership opportunities for low and moderate income households". To implement these goals, Policy 3.1, the Affordable Housing Program, requires residential development projects consisting of 50 units or more to restrict a minimum of ten (10) percent of the units for occupancy by and affordable to low- and moderate income households, with at least 5% of the units for low income residents and 5% for moderate income residents. In addition to the development of affordable for sale housing opportunities through the City's Inclusionary Housing Program, this policy also pertains to any other for sale development proposed to have affordable units within the City for the diverse needs of residents including the establishment of permanent affordable housing opportunities for low- and moderate- income households.

This Policy establishes the procedures and guidelines for the development of affordable for sale housing for first-time low- and moderate- income buyers, defined as households. First-time homebuyer shall be defined as an individual whom has have not had ownership interest in any property within three years from the date of application and are earning. Low income homebuyer shall be defined as an individual earning no more than 80% and 120%, respectively, of the Area Median Income ("AMI"). The Area Median Income (AMI), based upon household size, is determined annually by the U.S. Department of Housing and Urban Development (Attachment 1). This policy will outlines the development guidelines, program requirements including underwriting criteria and the buyer selection criteria that shall pertain to any for-sale development proposed to have affordable units within the City and not otherwise regulated by other funding sources, inclusive of the City's Balanced Communities ("Inclusionary") Policy.

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE- INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. <u>2005-314, 9-13-05 and 2013-154, 08-06-2013</u> 2005-314, 9-13-05 and 2013- <u>7-16-13</u>			

The Inclusionary policy requires residential development projects consisting of 50 units or more to restrict a minimum of ten percent (10%) of the units for occupancy by and affordable to low- and moderate- income households, with a minimum of 5% of the units for low-income residents. Any Developer wishing to satisfy their affordable housing obligation through the development of affordable for-sale housing within the City must adhere to the policies contained herein and the *Balanced Communities Policy Guidelines*. As part of the entitlement process, the Developer and the City will enter into an Affordable Housing Agreement, which will outline the terms of the development and which should refer to this policy and the procedures as described further.

DEVELOPMENT GUIDELINES

The purpose of this policy is to provide affordable homeownership opportunities for low-income households and to ensure that upon sale of the "affordable" unit the City receives adequate funds to continue to promote affordable homeownership programs throughout the City.

To that end, the two primary components of this development process include the establishment of a loan, through a Second Trust Deed, between the Homebuyer and the City and an equity share system based upon the Homebuyer's length of occupancy. The City and Developer shall be jointly responsible for the implementation of the development mechanisms as outlined below.

The City's Second Loan will ensure that the unit shall be affordable to the low-income buyer while maintaining the market value of the property. The Silent Second Loan shall be defined as a loan that does not require any payments until sale, transfer, refinance, rental or change in title of the property.

City Loan Calculation

The calculation of the City's second loan amount shall be based upon the establishment of the "Affordable Sales Price" and "Market Rate Price" of each type of unit, based upon number of bedrooms per unit. The City's Second Loan amount is calculated based upon the difference between the Market Rate Price (MRP) and the Affordable Sales Price (ASP).

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- <u>AND MODERATE-</u> INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. <u>2005-314, 9-13-05 and 2013-154, 08-06-2013</u> 2005-314, 9-13-05 and 2013_____, <u>7-16-13</u>			

Silent Second Loan Amount=MRP-ASP

The Affordable Sales Price shall be calculated based upon a number of factors, including but not limited to, -number of bedrooms per unit at 1.5 persons per bedroom, homeowner's association dues, utility allowance, property tax, Mello Roos (CFDs) and any other additional costs of construction that are passed onto the buyer. This calculation is then incorporated into the formula that determines what the City's second loan amount will be.

Assumptions utilized to calculate the Affordable Sales Price will be subject to the normal costs and fees as associated with the purchase of the particular property based upon the real estate market and negotiations between the City and Developer at the time of the development proposal. The criteria included that will remain constant are the percentage of downpayment required, term of the loan and the maximum housing to income ratios. Other factors may be applied, and are subject to change, based upon the individual development costs.

The Market Rate Price will be determined and mutually agreed upon by the City and Developer based upon current real estate comparables and market analysis at the time of development proposal. The Market Rate Price may be subject to change upon the approval of the City during the development/construction period.

~~Table 1 provides an example of the assumptions utilized to calculate the Affordable Sales Price. All factors will be subject to the normal costs and fees as associated with the purchase of the particular property based upon the real estate market and negotiations between the City and Developer at the time of the development proposal. The criteria included that will remain constant are the percentage of downpayment required, term of the loan and the maximum housing to income ratio. Other factors may be applied, and are subject to change, based upon the individual development costs.~~

Table 1

CRITERIA	VARIABLES
----------	-----------

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- <u>AND MODERATE-</u> INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. <u>2005-314, 9-13-05 and 2013-154, 08-06-2013</u> 2005-314, 9-13-05 and 2013-_____, 7-16-13			

Downpayment	3% of Purchase Price
Interest Rate	6%
Term of Loan	30 years
Taxes	1.1% of Purchase Price
HOA Fees and Mello Roos, if applicable	\$200/month
Maximum Housing to Income Ratio	36% of monthly income

Table 2 utilizes the assumptions from Table 1 to determine the maximum Affordable Purchase Price.

Table 2

Description	Low Income	Low Income	Low Income
	2 Bdrms	3 Bdrms	4 Bdrms
Unit Size by No. of Bedrooms			
Qualifying Percent of Area Median Income (AMI) for Affordable Housing	80%	80%	80%
Equals Annual Household Income Based Upon Qualifying Percent of AMI	\$49,700	\$57,400	\$64,050
Equals Monthly Household Income Based Upon Qualifying Percent of AMI	4,142	4,783	5,338
Times Percent of Household Income Attributable to Housing Expenses	36%	36%	36%
Equals Annual Dollars Allowed for Housing Expenses	17,892	20,664	23,058
Less Real Estate Taxes	1,871	2,218	2,526
Less Home Owners Fee \$200 x 12 months	2,400	2,400	2,400
Equals Annual Dollars Available for Debt Service	13,621	16,046	18,132
Divided by Annual Loan Constant	0.0719	0.0719	0.0719

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: DEVELOPMENT OF AFFORDABLE
FOR SALE HOUSING FOR LOW-
AND MODERATE- INCOME
BUYERS

**POLICY
NUMBER**

453-02

**EFFECTIVE
DATE**

12-09-03

PAGE

11 of 7

ADOPTED BY: Resolution No. 2003-492

DATED: 12-09-03

AMENDED BY: Resolution No. 2005-314, 9-13-05 and 2013-154, 08-06-2013
and 2013-_____, 7-16-13

Description	Low Income	Low Income	Low Income
Equals Maximum Loan Amount Available for Home Purchase	189,444	223,171	252,184
Plus Down Payment - 3%	5,859	6,902	7,799
Equals Maximum Affordable Purchase Price	\$195,303	\$230,073	\$259,983

Table 3 illustrates sample amounts for the City's second loan to Homebuyer based upon calculation of MRP-ASP.

Table 3

Bedrooms Per Unit	Max Aff Purchase Price (Table 2)	Market Value of Home				
		Second Trust Deed Amount				
		\$ 275,000	\$ 300,000	\$ 325,000	\$ 350,000	\$ 375,000
2	\$ 195,303	\$ 79,697	\$ 104,697	\$ 129,697	\$ 154,697	\$ 179,697
3	\$ 230,073	\$ 44,927	\$ 69,927	\$ 94,927	\$ 119,927	\$ 144,927
4	\$ 259,983	\$ 15,017	\$ 40,017	\$ 65,017	\$ 90,017	\$ 115,017

Equity Share

Table 4-1 illustrates the equity share percentages between the City and Homeowner based upon the length of time that the Homeowner has occupied the property. The applicable equity share, if any, plus principal shall be due upon sale, transfer, refinance, rental or change of title on the property. Should a Homeowner sell, transfer, rent or reconvey the property before one year has passed from the date of the close of escrow, the City shall retain 100% of the equity in the property, minus approved Homebuyer expenditures, including amount of initial downpayment and approved costs of sale.

Table 41

For-Sale Low- and Moderate- Income Homebuyer Equity Share

Occupancy Period	Homeowner Equity	City Equity Share
------------------	------------------	-------------------

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE- INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7

ADOPTED BY: Resolution No. 2003-492

DATED: 12-09-03

AMENDED BY: Resolution No. 2005-314, 9-13-05 and 2013-154, 08-06-20132005-314, 9-13-05
and 2013 _____, 7-16-13

(yearsmonths)	ShareCity-Equity-Share	
<u>0-121-5</u>	<u>100%0%70%</u>	<u>0%</u>
<u>13-246-10</u>	<u>95%5%60%</u>	<u>5%</u>
<u>25-3611-15</u>	<u>90%10%50%</u>	<u>10%</u>
<u>37-4816-20</u>	<u>85%15%40%</u>	<u>15%</u>
<u>49-6021-25</u>	<u>80%20%30%</u>	<u>20%</u>
<u>61-7226-30</u>	<u>50%50%20%</u>	<u>50%</u>
<u>73-8431-35</u>	<u>45%55%10%</u>	<u>55%</u>
<u>85-9636-45</u>	<u>40%60%5%</u>	<u>60%</u>
<u>97-108</u>	<u>35%65%</u>	<u>65%</u>
<u>109-120</u>	<u>30%70%</u>	<u>70%</u>
<u>121-132</u>	<u>25%75%</u>	<u>75%</u>
<u>133-144</u>	<u>20%80%</u>	<u>80%</u>
<u>145-156</u>	<u>15%85%</u>	<u>85%</u>
<u>157-168</u>	<u>10%90%</u>	<u>90%</u>
<u>169-180</u>	<u>5%95%</u>	<u>95%</u>
<u>Thereafter</u>	<u>100%</u>	<u>0%</u>

Following is an example of how the equity share calculation works.

ASSUMPTIONS

Initial Market Rate Price	\$275,000
Initial Affordable Purchase Price	\$195,303
City's Second Loan	\$79,697
Length of Occupancy	4 years
Resale Price	\$500,000
Remaining 1st Loan Amount	\$187,303

A family of three purchases a two-bedroom unit for the market rate value of \$275,000.
The household qualifies for the maximum Affordable Purchase Price of \$195,303. A

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE- INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. 2005-314, 9-13-05 and 2013-154, 08-06-2013 2005-314, 9-13-05 and 2013-_____, 7-16-13			

second loan is provided for the amount between the Market Rate Price and the Affordable Purchase Price, which is \$79,697. This loan shall be repaid to the City.

Four years later, the property sells for \$500,000. The remaining amount owed on the 1st mortgage loan is \$187,303. The Homeowner would receive his/her initial downpayment amount of \$5,859 plus \$40,000 (8% of \$500,000) as reimbursement for the costs associated with the sale of the property.

The Homeowner's equity share amount would be \$102,007 plus the \$187,303 balance on the 1st loan for a total recapture to Homeowner of \$289,310. The City's equity share amount would be \$131,011 plus repayment of the principal of the City's Second Loan (\$79,697) for a total recapture to City of \$210,690.

EXAMPLE TABLE			
Current Sales Price (4 yrs later)		\$	500,000
	1st Loan-Homeowner	\$	(187,303)
	2nd Loan-City	\$	(79,679)
	Homeowner's Investment-Homeowner	\$	(45,859)
Equity		\$	187,159
	Times Equity Share Percentage		70.0%
Equity Share (City)		\$	131,011.30
TOTAL DUE TO CITY		\$	210,690
TOTAL DUE TO HOMEOWNER		\$	289,310

Repayment Requirements and Conditions

Sale, transfer, refinance with cash-out or for purposes of debt consolidation or renting of the property requires both repayment of the Silent Second Loan PLUS repayment of a portion of the equity based upon the length of occupancy at the time of such action.

The City will subordinate its second loan if the Homeowner wishes to obtain a straight rate and term refinance (no cash out or debt consolidation). Neither the City's second loan or the equity share will be due. The City will evaluate the Homeowner's Ratios to determine if the borrower can repay a portion of the silent second or if the new loan remains affordable for borrowers who refinance into a less loan term.

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE- INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. 2005-314, 9-13-05 and 2013-154, 08-06-20132005-314, 9-13-05 and 2013_____, 7-16-13			

Should the Homeowner wish to add an individual to the Title of the property or include the property in a Trust they must obtain City approval prior to such action. Either action may result in the loan and/or equity share becoming due and payable within 90 days of the action and shall be at the discretion of the City.

Short Sale and Hardship

Upon loan repayment request, if the combined first and second mortgages are below current market value of a unit, the City will require homeowners to seek homeownership counseling prior to the approval of a short sale of the property. In addition, these request will be reviewed on a case by case basis,

City Silent Second Loan Restructuring

The Director of Development Services may authorize a reduction in the City's Silent Second Loan Amount principal (after sale) for buyers whom are in good standing for a minimum of 6 months (on their mortgage payments, and HOA fees), undergoing a refinance, and where initial Market Rate Price has declined by more than 40% to current value, under current underwriting and industry standards.

PROGRAM REQUIREMENTS

The City and the Developer will ensure the development meets all of the following requirements:

1. Should subsidized financing, offsets, or incentives be proposed and obtained, the development requirements of that program or granting Agency must also be met.
2. All "affordable" units will be sold to buyers meeting both the income-based and cost-based measures of affordability. The income-based measure is the annual income at 80% and 120% of Area Median Income (AMI) based upon household size. The cost-based measure may not exceed 40% of 80% of AMI for all loans

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE- INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. <u>2005-314, 9-13-05 and 2013-154, 08-06-2013</u> 2005-314, 9-13-05 and <u>2013</u> _____, <u>7-16-13</u>			

except FHA which has a cap of 36%. Therefore, utilizing 2005 income figures, the income for a household of four may not exceed \$55,200, thereby meeting the income-based measure. In order to meet the cost-based measure of affordability, a family of four cannot expend more than \$22,080 (40% of \$55,200) for total housing expenses or \$19,872 annually of obtaining an FHA loan (36% of \$55,200)

3. If the City provides any type of financial assistance or incentive for the project (i.e. funding for the construction of the project, density bonus, parking deviations, etc) ~~the units will be priced as affordable to buyers at the 70% and 110% of AMI level, but the maximum income level for qualifying households will still be at 80% of AMI for low- income and 120% for moderate- income. Pricing will be set using a front end ratio of 30% for low income buyers and 36% for moderate income buyers. qualifying households. Please refer to Attachment 2.~~
4. Prospective homebuyers must be pre-qualified by the designated Lender, as determined by the Developer, in order to purchase an affordable unit, although the homebuyer may obtain his/her permanent financing from any licensed mortgage broker or lender of their choosing. Homebuyer shall notify City staff in writing of intent to use "outside" lender at least 30 days before expected escrow closing, as determined by the developer.
5. Homeowner is required to attend a qualified "Homebuyer Education Program" and provide evidence to the City of their attendance before the close of escrow.
6. The Borrower must sign a release authorizing the City to receive a copy of the buyer's 1003 (Mortgage Loan Application), Good Faith Estimate and Underwriting Transmittal Summary (1008) or similar form from Lender, which shall be forwarded to City as part of the application review process.

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE-INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. <u>2005-314, 9-13-05 and 2013-154, 08-06-2013</u> <u>2005-314, 9-13-05</u> <u>and 2013-_____, 7-16-13</u>			

Underwriting Requirements

The City shall require that each homebuyer meet the following underwriting standards in order to be eligible for purchase of an Affordable Unit, regardless of Lender's standard or available underwriting criteria:

1. Minimum contribution by buyer of three percent (3%) of the Purchase Price;
2. Maximum liquid assets after downpayment and closing cost contribution not to exceed \$25,000 (not including retirement accounts i.e. IRA's, 401(k), etc);
3. Non-occupant co-borrowers are not allowed;
4. Maximum total housing ratio of 36% for FHA loans and 40% for all other loans;
5. Maximum debt-to-income ratios of 41% for FHA loans and 45% for all other loans;
and
- 5-6. Minimum front-end ratio of 30% for income qualification purposes;
7. No refinancing for the purposes of cash-out or debt consolidation shall be allowed; and;
- 6-8. Gift funds shall not exceed 10% of the affordable sales price.

Lender Requirements

The Developer is responsible for providing an informational packet to the Homebuyer detailing the responsibilities of all of the involved parties, including the Lender, City, Developer and Homebuyer. The Lender is required to adhere to the criteria in determining

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE- INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. <u>2005-314, 9-13-05 and 2013-154, 08-06-2013</u> 2005-314, 9-13-05 and 2013 <u> </u> , 7-16-13			

the Homebuyer's eligibility for an affordable for-sale unit. Appropriate documentation (as outlined above as #7) must be forwarded to the City by the Lender. After review and verification that the Homebuyer is qualified, the City will send an Approval Letter to the Lender confirming the Homebuyer's eligibility.

BUYER SELECTION CRITERIA

The Developer shall use the following criteria in order to determine priority for purchase of an affordable for-sale housing unit. Marketing of units shall be in compliance with federal and state fair housing law. A point system has been established so that applicants with a higher number of points will receive preference for units.



- | | |
|-----------------|---|
| <u>5 points</u> | Households which are displaced from their primary residence as a result of any of the following: (i) expiration of affordable housing covenants applicable to such residence; (ii) an action of City or Agency; (iii) closure of a mobilehome or trailer park community in which the household's residence was located; or (iv) a condominium conversion involving the household's residence. One member in the households must have resided in such housing as the primary place of residence for at least one year prior to such action or event. |
| <u>3 points</u> | Households with at least one member who is working within the City of Chula Vista, as that person's principal place of full-time employment, at the time of application. |
| <u>3 points</u> | Households currently residing within the boundaries of the City of Chula Vista, at the time of application. |
| <u>2 points</u> | Households with at least one member who is a Public Safety employee (fireman/woman and policeman/woman) or Credentialed Teacher. The individual must be working in such position as his/her full-time profession at the time of application. |
| <u>1 point</u> | All other applicants who do not meet any of the above criteria. |

COUNCIL POLICY CITY OF CHULA VISTA			
SUBJECT: DEVELOPMENT OF AFFORDABLE FOR SALE HOUSING FOR LOW- AND MODERATE-INCOME BUYERS	POLICY NUMBER	EFFECTIVE DATE	PAGE
	453-02	12-09-03	11 of 7
ADOPTED BY: Resolution No. 2003-492		DATED: 12-09-03	
AMENDED BY: Resolution No. 2005-314, 9-13-05 and 2013-154, 08-06-20132005-314, 9-13-05 and 2013_____, 7-16-13			

In the situation where there are applicants with an equal number of points but not enough units available, secondary determining factors may be considered, including number of verifiable household members or individuals with special needs or disabilities.

ATTACHMENTS

1. _____ County of San Diego Household Income Limits
2. _____ Analysis of Affordable House Pricing





*Development Services
Department*

Development of Affordable For Sale Housing for

Low-Moderate Income Buyers Council Policy No. 453-02 Update



July 24, 2013



*Development Services
Department*

Policy Intent



- Implement Housing Element Goals
- Procedures and Guidelines for the Development of Affordable For Sale Housing
 - Support affordable housing opportunities
 - Promote long-term homeownership
 - Mechanism to further additional housing

*Development Services
Department*

Current Policy


Development Guidelines	<ul style="list-style-type: none"> • Affordable Sales Price Calculation • City's Silent Second
Equity Share	<ul style="list-style-type: none"> • Equity Share Percentages to ensure long term affordability
Program Requirements	<ul style="list-style-type: none"> • Low Income Requirement (80%) • Underwriting Requirements
Buyer Selection Criteria	<ul style="list-style-type: none"> • Point System for Marketing of Units


*Development Services
Department*

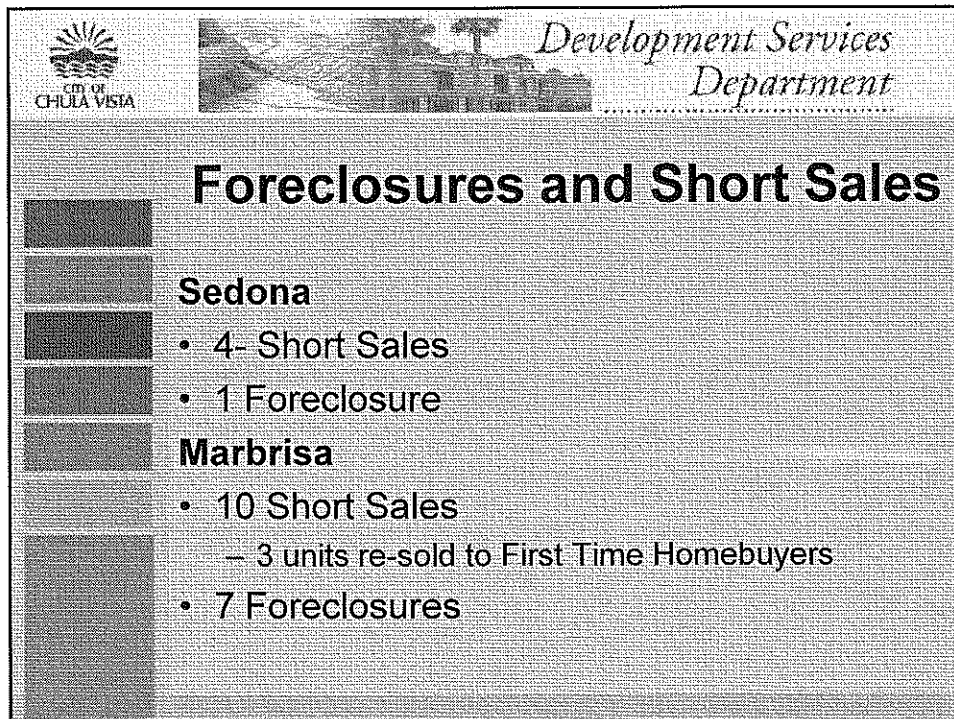
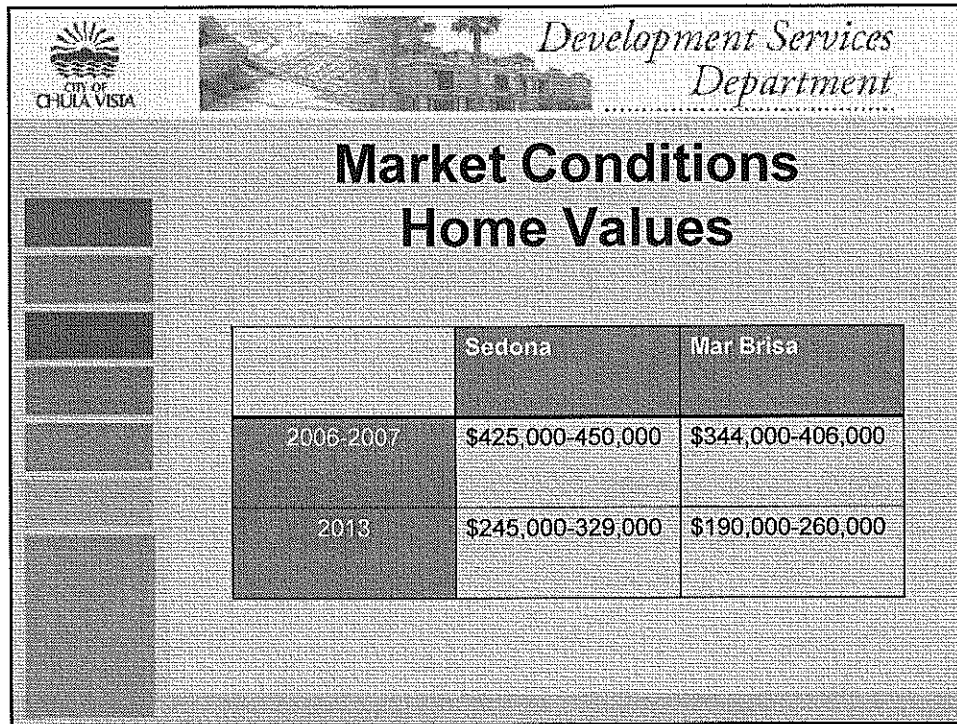
For-Sale Affordable Housing (Council Policy 453-02)

Sedona (32 Units)
Rolling Hills Ranch



Mar Brisa (67 Units)
San Miguel Ranch









*Development Services
Department*



Inclusionary Housing Unit Issues

- Navigating Hardship Programs
- Decreased Market Values
- Silent Second Loan Terms (45 year)





*Development Services
Department*

Policy Updates

*Development Services
Department*

Long Term Affordability and Equity Share

- Reducing Equity Share from **45 years** to **15 Years**
- Mirrors City's First Time Homebuyer Program

*Development Services
Department*



Underwriting Criteria Eligibility

- Establish a minimum front end ratio of 30%
- Maximum Gift Funds

*Development Services
Department*

Short Sale and Hardship

- Establish a short sale and hardship policy
- Apply the policy to existing projects (Sedona and Marbrisa)
- Review current Silent Second Loans

*Development Services
Department*

Moderate Income Buyers

- Add language to include moderate income buyers
- Provide underwriting criteria for moderate income buyers



*Development Services
Department*

Questions?



Development Services
Department

Policy Updates

Long Term Affordability and Equity Share	Term
Underwriting Criteria	Ratios
Short Sale and Hardship	<ul style="list-style-type: none"> •Criteria •Existing Projects (Sedona and Marbrisa)
Moderate Income Buyers	Add to the Policy
Clean Up	<ul style="list-style-type: none"> •Updated Goals and Objectives Strike out examples